

Message Text

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ACTION EA-12

INFO OCT-01 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 DOE-15 H-01 INR-10 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-05 ICA-11 OES-09
SP-02 SS-15 STR-07 TRSE-00 ACDA-12 PC-01 /131 W
-----101776 250942Z /14

R 240914Z AUG 78

FM AMEMBASSY SEOUL

TO SECSTATE WASHDC 3068

INFO AMCONSUL HONG KONG

USLO PEKING

AMEMBASSY TOKYO

C O N F I D E N T I A L SEOUL 7489

E.O. 11652: GDS

TAGS: ENRG, TOCY, ESTC

SUBJECT: REVIEW OF U.S. POLICY TOWARD OIL EXPLORATION IN JAPAN/KOREA
JOINT DEVELOPMENT ZONE.

A) STATE 212099; B) SEOUL 5614; C) SEOUL 3277

1. EMBASSY SEOUL AGREES WITH THE POINT IN PARAGRAPH 2
REFTEL A THAT THE CHANGING SITUATION IN THE JOINT DEVELOP-
MENT ZONE, INCLUDING RATIFICATION OF THE ROK-JAPAN AGREE-
MENT, AND INCREASED PRC INTEREST IN U.S. FIRMS' PARTICIPATION
IN POSSIBLE OFFSHORE DEVELOPMENT, WARRANTS A THOROUGH AND
COMPREHENSIVE REVIEW OF PREVIOUS POLICY. AMONG THE
VARIOUS ISSUES THAT MUST BE TAKEN INTO CONSIDERATION
ARE THE POSITION AND ATTITUDES OF THE ROK GOVERNMENT AND
THE PERCEPTION OF THE KOREANS IN THIS MATTER. THESE
HAVE BEEN RAISED IN PRIOR MESSAGES BUT SHOULD BE RE-
EMPHASIZED.

2. THE SOUTH KOREANS, BOTH GOVERNMENT AND PEOPLE, SEE
THE POSSIBLE ENERGY RESERVES IN THIS AREA AS AN
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INTERMEDIATE TERM SOLUTION TO A GROWING DEPENDENCY
ON OVERSEAS ENERGY SOURCES, AT LEAST UNTIL THE LONG
TERM CONVERSION TO NUCLEAR POWER BECOMES OPERATIONAL.
WHILE ESTIMATES OF POSSIBLE RESERVES HAVE VARIED,
RECENT SPECULATION HAVE PLACED FIGURES OF BETWEEN
770 MILLION AND 2.3 BILLION BARRELS OF CRUDE AND
260 BILLION CUBIC METERS OF NATURAL GAS. ROK CRUDE

IMPORTS AMOUNTED TO 157 MILLION BARRELS IN 1977, REPRESENTING 59 PERCENT OF THAT YEAR'S TOTAL ENERGY REQUIREMENTS. WITH THESE REQUIREMENTS PROJECTED TO EXPAND BY 10 PERCENT OR BETTER A YEAR OVER THE NEXT DECADE, EXPLOITATION OF THE JDZ RESERVES, IF IN FACT THEY DO EXIST, REPRESENT A CONSIDERABLE FUTURE BOP SAVING AS WELL AS A STRENGTHENING OF THE ROK'S OVERALL POLITICAL/ECONOMIC POSITION.

3. AS NOTED IN PREVIOUS EMBASSY COMMUNICATIONS (REF C), THE POINT HAS BEEN REACHED AMONG ROK DECISION MAKERS THAT IT IS NOT A QUESTION OF IF BUT ONLY WHO WILL CONDUCT PROSPECTING AND EXPLORATION IN THE JDZ. A RECENT NEWS ITEM HAS NOTED THAT THE ROKG IS READY TO CONDUCT EXCLUSIVE PROSPECTING IN CERTAIN BLOCKS IF THE JAPANESE GOVERNMENT FAILS TO DESIGNATE ITS CONCESSIONAIRES. IF THE USG DISCOURAGES THE PRESENT KOREAN CONCESSIONAIRES, TEXACO AND KOREAN AMERICAN OIL, THERE IS LITTLE DOUBT THAT THE ROKG WILL REVOKE THESE CONCESSIONS AND FORM A NATIONAL OIL COMPANY, SUBCONTRACTING AS NECESSARY TECHNICAL WORK TO FOREIGN E.G., EUROPEAN FIRMS.

4. WITH THE SIGNING OF THE ROK-JAPAN AGREEMENT, FOLLOWED BY THE ABSENCE OF CONTROVERSY OVER THE ISSUE IN CONNECTION WITH CONCLUSION OF CHINA-JAPAN PFT, THE ROKG SEES ITS
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CLAIM TO THE JDZ AS RECOGNIZED. THERE WOULD BE LITTLE UNDERSTANDING FOR U.S. MOVES WHICH WERE SEEN AS ENCUMBERING DEVELOPMENT OF THIS IMPORTANT ASSET. SHOULD THE U.S. TAKE SUCH ACTION, IT WOULD SURELY RESULT IN A NEW POLITICAL ISSUE DAMAGING OUR OVERALL POSITION HERE, NOT ONLY WITH THE GOVERNMENT BUT WITH THE GENERAL POPULACE, WHO LOOK UPON THE "POTENTIALS" OF THE JDZ AS CONTRIBUTING TO THE FUTURE WELFARE OF THE COUNTRY. THEY WOULD FIND IT DIFFICULT TO UNDERSTAND WHY THE U.S., THEIR MAJOR ALLY, WOULD OPPOSE THE INVOLVEMENT OF U.S. FIRMS IN THE EXPLOITATION OF THESE POTENTIAL ENERGY RESERVES.

5. IN LIGHT OF THE ABOVE, WE BELIEVE ALL EFFORT SHOULD BE MADE TO MITIGATE ANY SUCH CIRCUMSTANCE AS OUTLINED ABOVE. IN ADDITION TO JAPANESE APPROACHES TO THE PRC, IT APPEARS TO US THAT U.S. FIRMS, ESPECIALLY CALTEX, MAY BE IN AN UNIQUELY FAVORABLE POSITION TO NEGOTIATE AMONG THE VARIOUS PARTIES TO FIND A POSSIBLE COMMON GROUND OR DETERMINE, AT A MINIMUM, HOW FAR THEY CAN GO IN EXPLORATION AND POSSIBLE DEVELOPMENT IN THE JDZ WITHOUT AROUSING THE IRE OF THE PRINCIPAL PARTIES (ROK, JAPAN, AND PRC). WE

SUGGEST THAT THIS POSSIBILITY BE EXPLORED WITH
CALTEX.

6. WE FAIL TO SEE THE RISK FROM NORTH KOREA
MENTIONED IN REFTTEL. JDZ LIES WELL TO THE SOUTH OF
THE MDL EXTENDED. THE NORTH'S CLAIM TO THE AREA
COULD ONLY BE BASED ON ITS CLAIM TO BE THE LEGITI-
MATE GOVERNMENT OF THE ENTIRE PENINSULA. WE
CONCLUDE THAT RECOGNITION OF SUCH A CLAIM BY
TREATMENT OF THE JDZ AS "DISPUTED" UNDERMINES THE
LEGITIMACY OF OUR SUPPORT FOR THE SOUTH. UP TO THIS
POINT, NORTH KOREA, WHICH IN PART DEPENDS ON CHINA
FOR OIL, HAS LEFT THE MATTER TO THE CHINESE. IT
SEEMS UNLIKELY THAT THE NORTH WOULD WEIGH IN AT
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THIS JUNCTURE.
GLEYSTEN

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